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August 27, 1997

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

BY HAND DELIVERY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: General Wireless, Inc.
Docket No. ET 97-82
Notice of Ex Parte Communication

Dear Mr. Caton:

Pursuant to Section 1.1206(a)(2) of the Commission's rules, General Wireless, Inc. ("GWI") hereby submits an original and one copy of this Notice of Ex Parte Communication.

On August 26, 1997, GWI sent the enclosed letter to Jon Garcia of the Office of Plans and Policy regarding further options for C block debt restructuring in the above-referenced proceeding.

Respectfully submitted,

Jay L. Birnbaum
Counsel for General Wireless, Inc.

Enclosure

cc: Jon Garcia

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General Wireless Inc

August 26, 1997

Mr. Jon C. Garcia
Director of Strategic Analysis
Office of Plans and Policy
Federal Communications Commission
1919 M Street, N.W., Room 822
Washington, D.C. 20554

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Dallas, Texas 75231
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Dear Jon:

Based on discussions we have had with you and other members of the Commission staff, we would like to submit a proposal to address the issue of C-Block debt restructuring.

General Wireless' perspective is that the most practical way to establish Fair Market Value of the C-Block spectrum is to conduct a re-auction for those licensees who wish to have their spectrum "re-priced." The only approach that provides for viable C-Block competition is an expedited re-auction where the Commission commits to a date certain no later than the end of the first quarter 1998. Based on this understanding, the following Attachments represents General Wireless' re-auction proposal.

Attachment I represents the most recent discussions with the Commission. Further changes, other than relaxation of the New Money requirement to retain bidding credits, would only serve to force DEs into choosing the bankruptcy alternative. As we have discussed, the viability of a DE's business plan (a stated purpose of the Commission requiring New Money to be raised) would not be the determining factor in raising high risk money for a "blind pool". Neither the price nor license identities can be known in advance of a re-auction. Only in the post auction time frame, based on the licenses won, can funds be raised for working capital in support of a specific business plan.

Because the re-auction of C-Block licenses is an all cash auction, the only issues are the size and attractiveness of licenses won relative to the prices paid. If there is any dispute later as to the prices paid, the equity of existing investors (investing in the "blind pool") would be further reduced through dilution in subsequent equity revaluation. Therefore, requiring additional New Money such as the 20% of the maximum bidding credit in the attached proposal, versus a lower requirement, for example 10%, would only increase the likelihood of participating DEs opting for bankruptcy before the decision deadline of handing back existing licenses to the Commission. A better alternative would be to provide a default mechanism for DEs unsuccessful in raising New Money to use their down payment as bidding credit with the attending result of substantially increasing penalties.

Attachment II serves to outline several examples as to how the proposal would work. These examples indicate that the penalty can range up to 100% for DEs not raising New Money (in this case the DE will likely declare bankruptcy) to approximately 40% of its down payment if the DE is successful at raising New Money but wins back only 50% of its existing Pops.

Attachment III provides graphs illustrating how the mechanics for determining the amount of deferred penalty to be imposed and how eligibility based on regaining bidding credit is determined.

ADVANTAGES OF THIS PROPOSAL

The advantages of this proposal relative to our understanding of Commission objectives are as follows:

1. The proposal administers substantial penalties to existing licensees, their investors and certain creditors. Since it is optional, only those licensees who truly need restructuring will choose this option. Those licensees who have sufficient cash resources will refrain from turning in their licenses.

2. The proposal requires the return of all licenses held so there can be no "cherry picking" of the existing portfolios by current license holders.

3. Voluntary return of the licenses to avoid bankruptcy will require the concurrence of the shareholders and creditors. Those who do not succeed in raising new capital due to the difficult financing environment for C-Block companies will choose bankruptcy. Providing a "default" option requiring no New Money, but with attending result of higher penalties, would ensure that those licensees failing to raise New Money would also be motivated to participate in a re-auction rather than to seek relief in bankruptcy. Those who elect this option, succeed in raising new capital, and are successful in acquiring a viable portfolio of licenses in the re-auction will be able to compete with the existing cellular, SMR, and PCS providers. This is consistent with the FCC's goal of providing an opportunity to compete, but not a guarantee of success.

4. Voluntary return of licenses under expedited re-auction conditions proposed by the FCC ensures that lengthy bankruptcy proceedings can be avoided and that the FCC can get these licenses into the hands of qualified competitors in the shortest time possible. An FCC commitment to starting the auction by the end of the first quarter of 1998 would serve to stabilize financial markets for PCS companies.

5. Re-auction offers a second chance to those DEs who were unsuccessful in the original auction.

6. Re-auction ensures the taxpayers that the Fair Market Value (FMV) of their spectrum will be determined by the marketplace and not by some artificial scheme.

7. An all cash re-auction eliminates the uncertainties in both bidding and collection that were introduced by the concept of the FCC acting as a creditor and further removes the Commission from that role.

We believe our re-auction proposal addresses the Commission's concerns and General Wireless supports the proposal contained herein.

Sincerely yours,

Roger D. Linquist
President
Chief Executive Officer

RDL/mss

ATTACHMENT I

Term Sheet for C-Block Re-Auction

Participants:		Qualified DEs.
New Money		Incremental down payments deposited with the FCC prior to the re-auction.
Penalty:	*Existing Down Payment*	• Forfeit 10% of down payment. Remaining 90% is non-refundable
	Bidding Credit Earn Back	• New money first earns back a bidding credit of \$5 for every \$1 of New Money up to the 90% of the previous down payment. (or 20% of the maximum bidding credit - See Attachment II)
	Bidding Credit Eligibility	• Proportional to Bidding Credit Earn Back up to existing Licensed Pops (See Attachment III)
	Qualification	• Participating licensees must return all 30 MHz licenses.
	Deferred Penalty Replaces Existing Penalties	• Proportional to existing licensed Pops won with Bidding Credits up to a maximum of 72% of existing down payment. (See Attachments II and III) • Pops won with Bidding Credit determined by dividing Bidding Credit used by average price per Pop. • Other existing penalties waived. • No penalties on new money
Payment Terms:		All cash. 20% at end of auction; 80% at license grant. Unsecured Deferred Penalty paid 5 years from license grant with no interest.
Minimum Bid:		To be set by FCC for all bidders
Eligibility:		\$.05/MHz/Pop for New Money deposited by new bidders. Eligibility for existing licensees is the greater of Bidding Credit eligibility or New Money eligibility.

Attachment 1 (Cont.)

Payment Process:	Bidding Credit used first. Excess new money refunded at the end of the auction.
Bidding Rules:	C-Block, Stage III rules.
DE Rule Modification:	Existing DE rules apply except no bidding credit differentiation between qualified DEs in an all cash auction
Microwave Clearing:	Timeline for spectrum clearing based on original license grant date.
Election Date:	60 days after Final Order or Reconsideration Order

ATTACHMENT II

Penalty Concept

A = Down payment

B = Currently licensed Pops

C = Total Pops won in re-auction

D = (New Money/Average Price Per Pop) = Pops won in re-auction (attributable to New Money)

X = % of deposit you are eligible to get back (bidding credit)

Y – % of X that is paid upfront (New Money)

Z = X x (1-Y) x A x (C-D)/B = Maximum deferred penalty

Assume:

X = 90%
Y = 20%
A = $100 million
B = 20 million

Then:

($ and Pops in Millions)

	100% Success	50% Auction Success	50% Success Raising $	Maximum Deferred Penalty	100% Success Raising $ (A/B Auction Prices)
Upfront Penalty	$10	$10	$55	$10	$10
Bidding Credit	$90	$90	$45	$90	$90
New Money Raised	$18	$18	$9	$36	$18
Deferred Penalty	$60	$30	$30	$72	$21
Pop Eligibility	20	20	10	24*	20
Assumed Total Pops Won	20	10	10	24	7
Assumed Pops Won with New $	3.33	1.67	1.67	4.00	1.18
Total Dollars Available in Auction	$108	$108	$54	$126	$108
Deferred Penalty on Pops Won with Bidding Credit	$3.60	$3.60	$3.60	$3.60	$3.60
Average Price per Pop	$5.40	$10.80	$5.40	$5.25	$15.29
Total Penalty $	$70	$40	$85	$82	$31

* New Money eligibility exceed Bidding Credit Eligibility (i.e., 24 versus 20 million Pops)

ATTACHMENT III